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FOR H - PLEASE PASS TO CODEL MARTINEZ

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TAGS: [OREP](#) [PREL](#) [SP](#)
SUBJECT: SPAIN SCENESETTER FOR CODEL MARTINEZ

¶1. (SBU) Summary: I warmly welcome Codel Martinez to Madrid. When you arrive, Spain will be emerging from the Holidays and starting to focus on what is likely to be a very competitive March 9 general election. Although the media here prefers to focus on the allegedly frosty U.S.-Spain relationship that followed Spain's 2004 withdrawal from Iraq, your visit is an important opportunity to emphasize that our two countries have overriding common interests in fighting terrorism and organized crime, strengthening NATO and the Transatlantic security relationship, and in promoting the spread of democracy. End summary.

Counter-Terrorism and Law Enforcement

¶2. (SBU) U.S.-Spain relations were seriously damaged by President Zapateros's decision soon after his reelection in 2004 to precipitously withdraw Spanish forces from Iraq. However, over the last several years both countries have made a concerted and successful effort to rebuild the relationship based on strong mutual interests in counter-terrorism, fighting narcotics trafficking and organized crime, and rapidly expanding economic ties. The real bilateral story is found in novel initiatives such as the HSPD-6 agreement we signed in September to facilitate the sharing of information between our national counter-terrorism authorities. Spain is home to a large and growing Muslim population. The March 11, 2004, train bombings were a shock to Spain (21 of the suspects were convicted here in October). Spain remains a target of Islamic extremists; al-Qaeda has called for attacks to recapture the medieval "Al Andalus". The Spanish are actively pursuing Islamic extremism terrorism-related investigations and have scores of suspects in jail. Neither has the threat of ETA terror gone away: two Spanish Civil Guard officers were murdered in France in early December by the Basque terrorist group.

¶3. (SBU) Narcotics trafficking is another area of common concern. Andean cocaine is a serious problem here, and Colombian trafficking organizations are active in Spain. Money laundering is another serious issue. We are eager to find ways to increase bilateral cooperation and to encourage Spain to engage more aggressively with law enforcement authorities in key Latin American countries.

Security and Diplomatic Cooperation

¶4. (SBU) Spanish military cooperation matters. The bases of Rota and Moron are key hubs, midway between the U.S. and Afghanistan and Iraq. U.S. planes and ships account for around 5,000 flights and 250 port calls a year in Spain. The Spanish military is pro-U.S. and pro-NATO. The navy employs

the AEGIS system in its frigates and has been working for five years to acquire the Tomahawk missile system. Spain is also interested in the Joint Strike Fighter. We need to keep this military-to-military relationship strong.

15. (SBU) Spain has 750 troops with ISAF in Afghanistan and a provincial reconstruction team in Badghis province. They have contributed some 150 million Euros in Afghan reconstruction funds. Planning is underway to allow the Spanish to train and equip an Afghan Army company, which we hope will be a prelude to the training and equipping of a full battalion. On Iraq, Spain has contributed \$22 million to the Basrah Children's Hospital and a further \$28 million in development funding for Iraq. Spain has nearly 1,100 troops with UNIFIL in Lebanon and about 700 in Kosovo.

16. (SBU) On the diplomatic front, Spain in recent years has more often been a follower than a leader, looking to stay within EU consensus on issues such as Kosovo, Iran, and missile defense. It is more forward-leaning on the Middle East peace process, undoubtedly driven by FM Moratinos' long personal involvement in the issue. Moratinos was an eager participant in the Annapolis Conference and helped ensure Spain made a robust pledge of support for the Palestinian Authority during the recent Paris donors' conference. Driven by the twin threats of terrorism and illegal immigration, Spain is also increasing its engagement with the countries of North and Western Africa.

17. (SBU) Spain is the second largest investor in Latin America (after Brazil) and wields significant influence there. Spain wants strong democratic and free market institutions in the region. Nevertheless, we have sharp differences over Cuba. Spain's socialist government has opted for engagement, claiming it can encourage regime elements who want change. We take every opportunity to remind the Spanish that the Cuban regime is only interested in survival and that the Cuban dissidents need and deserve the active and visible support of democracies everywhere. On Venezuela, the socialists' early efforts at constructive engagement with Chavez have gone sour. At the most recent Iberoamerican Summit, King Juan Carlos publicly interrupted a Chavez tirade about former Spanish President Aznar, telling the Venezuelan President to "shut up." The government is uncomfortably situated between Spanish companies who fear Chavez will move against their Venezuela interests and the strong public support for the King.

Economy

18. (SBU) Spain has one of the fastest growing economies in Europe. In fact, the economy has grown in each of the last 15 years, and per capita GDP passed Italy's in 2006. In the last several years, a housing boom has contributed greatly to growth, but as elections approach, housing prices are stagnating, construction is slowing, and unemployment and inflation are staring to creep up. U.S. investment has long been important to the economy (more so than bilateral trade), but the tables have turned. This year, Spain has been the fourth largest foreign investor in the U.S., with particular emphasis in banking, construction, and renewable energy. In the latter sector, Spain has the world's largest and third largest wind power firms, and Spanish firms also are active in U.S. solar and biofuels projects.

Elections

19. (SBU) Spain will hold a general election March 9, and the campaign will just be heating up as you arrive. The ruling Spanish Socialist Workers' Party (PSOE) candidate is President Jose Luis Rodriguez Zapatero. Despite a strong economy, a budget surplus, and a variety of social spending initiatives, the early polls indicate a close race. Nevertheless, the polls also suggest Partido Popular (PP) candidate Mariano Rajoy has had limited success getting his message out. The PSOE will run on the economy and its social

programs. The PP will argue the economy is softening and that the PSOE has made too many concessions to Basque and Catalan regional governments, is weak on ETA, and soft on illegal immigration. Foreign affairs is unlikely to be a key issue, but the PSOE will remind voters it got Spain out of Iraq while the PP will say Spain's international prestige has slipped.

Conclusion

¶10. (SBU) Again, I am looking forward to your visit. While we want to avoid being an issue in the Spanish elections, we do need to remind Spain that the bilateral relationship is founded on strong mutual interests such as counter-terrorism and law enforcement. Regardless of who wins in March, terrorists, drug traffickers, and alien smugglers will continue to see both our countries as targets. We have much work to do together.

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